SHARED REVENUE AND TAX RELIEF

Budget Summary by Funding Source

	2002-03 Base Year Doubled	2003-05 Governor	2003-05 Jt. Finance	2003-05 Legislature	2003-05 Act 33	Act 33 Change Over Base Year Doubled Amount	Percent
Direct Aid Payments							
Shared Revenue	$722,429,600	$740,597,600	$540,597,600	$540,597,600	$540,597,600	- $181,832,000	- 25.2%
County and Municipal Aid	0	641,336,600	661,336,600	661,336,600	661,336,600	661,336,600	N.A.
Expenditure Restraint Program	115,140,000	116,291,400	116,291,400	116,291,400	116,291,400	1,151,400	1.0
County Mandate Relief	16,121,400	21,181,100	21,181,100	21,181,100	21,181,100	5,059,700	31.4
Small Municipalities Shared Revenue	8,540,600	11,221,100	11,221,100	11,221,100	11,221,100	2,680,500	31.4
Payments for Municipal Services	43,997,600	43,997,600	43,997,600	43,997,600	43,997,600	0	0.0
State Aid; Tax Exempt Property	156,800,000	140,765,000	137,200,000	137,200,000	145,900,000	-10,900,000	- 7.0
Property Tax Credits							
School Levy Tax Credit	$938,610,000	$938,610,000	$938,610,000	$938,610,100	$938,610,000	$0	0.0%
Homestead Tax Credit	189,200,000	203,000,000	198,200,000	198,200,000	203,200,000	14,000,000	7.4
Farmland Preservation Credit	30,000,000	27,400,000	4,100,000	4,100,000	28,700,000	- 1,300,000	- 4.3
Other Credits							
Earned Income Tax Credit	$26,480,000	$25,539,200	$25,539,200	$25,539,200	$25,539,200	- $940,800	- 3.6%
Cigarette and Tobacco Product Tax Refunds	25,000,000	23,300,000	11,300,000	11,300,000	23,300,000	- 1,700,000	- 6.8
Nursing Home Bed Assessment Credit	0	0	0	6,600,000	0	0	N.A.
Development Zones Jobs Credit	2,000	0	0	0	0	- 2,000	- 100.0
Development Zones Sales Tax Credit	2,000	0	0	0	0	- 2,000	- 100.0
Development Zones Investment Credit	2,000	0	0	0	0	- 2,000	- 100.0
Development Zones Location Credit	2,000	0	0	0	0	- 2,000	- 100.0
GPR TOTAL	$2,272,327,200	$2,933,239,600	$2,709,574,600	$2,716,174,600	$2,759,874,600	$487,547,400	21.5%
Other Credits							
Earned Income Tax Credit; Temporary Assistance for Needy Families	$110,320,000	$108,192,000	$117,424,000	$117,424,000	$117,424,000	$7,104,000	6.4%
PR TOTAL	$110,320,000	$108,192,000	$117,424,000	$117,424,000	$117,424,000	$7,104,000	6.4%
Direct Aid Payments							
Shared Revenue and County and Municipal Aid; Transportation Fund	$0	$400,000,000	$400,000,000	$400,000,000	$400,000,000	$400,000,000	N.A.
Shared Revenue and County and Municipal Aid; Utility Public Benefits Fund	0	20,000,000	37,600,000	37,600,000	37,600,000	37,600,000	N.A.
Property Tax Credits							
Farmland Tax Relief Credit	$30,000,000	$30,000,000	$30,000,000	$30,000,000	$30,000,000	$0	0.0%
Lottery and Gaming Credit	197,414,800	202,900,000	210,972,000	210,972,000	210,972,000	13,557,200	6.9
Lottery and Gaming Credit; Late Applications	300,000	300,000	300,000	300,000	300,000	0	0.0
Other Credits							
Earned Income Tax Credit; Utility Public Benefits	$0	$7,100,000	$236,800	$236,800	$236,800	$236,800	N.A.
SEG TOTAL	$227,714,800	$660,300,000	$679,108,800	$679,108,800	$679,108,800	$451,394,000	198.2%
Direct Aid Payments							
Shared Revenue	$0	$0	$182,400,000	$182,400,000	$182,400,000	$182,400,000	N.A.
FED Total	$0	$0	$182,400,000	$182,400,000	$182,400,000	$182,400,000	N.A.
TOTAL	$2,610,362,000	$3,701,731,600	$3,688,507,400	$3,695,107,400	$3,738,807,400	$1,128,445,400	43.2%

*Base year funding does not reflect $598.3 million in tobacco securitization proceeds used to provide additional shared revenue funding in 2002-03, which is instead included under miscellaneous appropriations.

Direct Aid Payments

1. SHARED REVENUE AND RELATED PROGRAMS -- DISTRIBUTION FORMULAS [LFB Papers 385 and 670]

Governor: Establish a formula to reduce 2003 payments determined under the current law distribution formulas for the shared revenue, county mandate relief, and small municipalities shared revenue programs by a total of $10,000,000. Apply the reductions to the total amounts otherwise payable to each county and municipality for 2003, as determined by the Department of Revenue (DOR). [Although the bill would apply the entire funding reduction to the shared revenue program, DOR could reduce payments under any of the three programs.] Exclude the reductions to 2003 payments in calculating the starting point for making reductions to 2004 payments. Increase the per capita reductions to 2004 payments to each county and municipality under the county and municipal aid program from $40,000,000 in total, as authorized under 2001 Wisconsin Act 109, to $50,000,000 in total. The proposed $10,000,000 reduction in each year is related to a proposal to provide a corresponding amount through the medical assistance program to local governments that provide emergency transportation services, although the distribution of the proposed medical assistance payments would differ from the aid reductions under shared revenue and the related programs. Require DOR to apply additional per capita reductions totaling $70,000,000 to the 2004 payments to municipalities under the county and municipal aid program. Provide that the preceding reductions cannot exceed the payments that would otherwise be made to each county and municipality. County and municipal aid payments for 2005 and thereafter would equal the amounts distributed in 2004, as decreased by the proposed $120,000,000 in total reductions.

The following table displays the estimated funding levels for the four programs and the estimated municipal and county reduction rates, based on a 2003 projected population of 5,499,393, under current law and under the bill.

The estimated per capita reduction rate for 2004 would increase from $3.64 for municipalities and counties under current law to $17.28 for municipalities and $4.55 for counties under the Governor's proposal. The following amounts do not include $58,145,700 annually in expenditure restraint payments to municipalities in 2003 and 2004 and an estimated $31,435,600 in utility aid payments under the shared revenue program to municipalities and counties in 2004.

				Est. Per Capita Reduction	
	Municipalities	Counties	Total	Municipalities	Counties
2003 Funding					
Shared Revenue	$776,783,700	$172,378,300	$949,162,000		
Small Municipalities					
Shared Revenue	11,221,100	0	11,221,100		
Mandate Relief	0	21,181,100	21,181,100		
Current Law Total	$788,004,800	$193,559,400	$981,564,200		
Governor's Proposal	-5,000,000	-5,000,000	-10,000,000	-$0.91	-$0.91
Proposed 2003 Total	$783,004,800	$188,559,400	$971,564,200	-$0.91	-$0.91
2004 Funding					
2003 Initial	$788,004,800	$193,559,400	$981,564,200		
Est. 2003 Utility Aid	-15,052,600	-15,175,000	-30,227,600		
Base Payments	772,952,200	178,384,400	951,336,600		
Act 109 Reduction	-20,000,000	-20,000,000	-40,000,000	-3.64	-3.64
Current Law Total	$752,952,200	$158,384,400	$911,336,600		
Governor's Proposal	-75,000,000	-5,000,000	-80,000,000	-13.64	-0.91
Proposed 2004 Total	$677,952,200	$153,384,400	$831,336,600	-$17.28	-$4.55

Joint Finance/Legislature: Delete the Governor's recommendation to reduce payments to counties and municipalities in 2003 and 2004 by $10,000,000 based on a per capita reduction mechanism, but retain the provision under which the Department of Health and Family Services (DHFS) would provide an additional $10,000,000 through the medical assistance program to local governments that provide emergency transportation services. Direct DHFS to provide DOR estimates of the amounts of the supplements payable under the medical assistance program by November 1 of each year and to pay the estimated net amounts of the supplements on the third Monday in November, beginning in 2003. Direct DHFS to adjust the supplements otherwise payable in any year to reflect actual claims submitted by service providers in the previous fiscal year, beginning on November 1, 2004. Specify that the amounts otherwise payable in November of each year under the shared revenue account, the county aid account, and the municipal aid account to individual counties and municipalities be reduced by the net amount of the supplements paid to those counties and municipalities, beginning in 2003 (2003-04).

Delete the Governor's recommendation to apply additional per capita reductions totaling $70,000,000 to the 2004 payments to municipalities and the current law requirement to apply per capita reductions totaling $20,000,000 to the 2004 payments to municipalities. The current law per capita reduction for counties (estimated at $3.64) would be retained. Municipal aid payments would be distributed under three new formulas, described under "Municipal Aid for 2004 and 2005."

Veto by Governor [A-16]: Delete provisions that would have removed municipalities from the county and municipal aid program, created three new municipal aid programs for 2004 and 2005, and established another new municipal aid distribution beginning in 2006 (see

Item #4, "Municipal Aid for 2004 and 2005"). This has the effect of restoring the $20,000,000 reduction to 2004 municipal payments that was created by 2001 Wisconsin Act 109, which would be allocated on a per capita basis (estimated at $3.64 per capita).

The partial veto creates an additional $50,000,000 reduction to municipal aid payments by retaining parts of the text of the four vetoed aid programs. Under the veto, the $50,000,000 reduction would be applied on a per capita basis (estimated at $12.73 per capita) to the amount remaining after the initial $20,000,000 reduction, but the resulting additional payment reduction could not exceed 15.68513% of the amount remaining after the initial $20,000,000 reduction. Therefore, compared to 2003 payment levels, the resulting total reductions in 2004 will exceed 15.68513% for many municipalities. Total municipal aid will be the same under the partial vetoes as under the enrolled bill, but the distribution to individual municipalities will vary. The individual payments in 2005 and thereafter will equal the 2004 amounts.

The language created by the partial veto for making the $50,000,000 reduction follows:

> "79.043 Municipal aid. as determined by the department of revenue based on 2003 population and Notwithstanding s. 79.035, per capita reductions to payment amounts for all municipalities under s. 79.035 shall be withheld that total $50000000. 15.68513% is the maximum reduction allowable to the payments to any municipality, excluding any reduction under s. 79.02(3)(e), under this section. Except as provided under s. 79.02(3)(e), Beginning in 2004 the total amount to be distributed each year to municipalities from the aid account is $703,102,200.".

[Act 33 Sections: 1393c, 1657d, 1658d, 1659m, 1660, 1663b, 1666b, 1669d thru 1669f, and 1670]

[Act 33 Vetoed Sections: 1658d, 1662b, 1662d, 1663b, 1664b, 1666b, 1669d, 1669e, 1669f, and 1669g]

2. SHARED REVENUE -- FUNDING LEVEL [LFB Paper 672]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
GPR	$18,168,000	- $200,000,000	- $181,832,000
FED	0	182,400,000	182,400,000
SEG	230,000,000	17,600,000	247,600,000
Total	$248,168,000	$0	$248,168,000

Governor: Create an annual appropriation comprised of transportation fund revenues to make shared revenue payments in 2003 (2003-04) and create an exception for those payments from the current law provision that requires all payments from the transportation fund to be made only on the order of the Secretary of DOT. Authorize DOR to determine the manner in which payments to counties and municipalities shall be comprised of amounts from the existing

GPR and newly-created SEG appropriations. Repeal the reference to the transportation fund appropriation in the shared revenue appropriation, effective July 1, 2004.

Increase GPR funding by $347,947,200 and provide an additional $230,000,000 SEG for the shared revenue program in 2003-04. Reduce GPR funding for the shared revenue program by $329,779,200 in 2004-05. Estimate the GPR sum sufficient appropriation for the shared revenue program in 2004-05 at $31,435,600 for the distribution of 2004 utility aid. These modifications reflect law changes authorized in the previous legislative session and a proposed $10,000,000 funding reduction in 2003 (2003-04) related to a proposal to provide a corresponding amount through the medical assistance program to local governments that provide emergency transportation services. In 2001 Wisconsin Act 16, the program's funding level was set at $939,764,400 for 2002 (2002-03) and $949,162,000 for 2003 (2003-04) and each year thereafter. The latter amount represents an increase of $9,397,600 (1%) over the 2002-03 funding level. In 2001 Wisconsin Act 109, $578,549,600 of the program's 2002-03 GPR funding was replaced on a one-time basis with proceeds from tobacco securitization (SEG). Also, Act 109 sunset payments under the shared revenue program after the 2003 (2003-04) distribution, except for payments under the program's utility aid component. The combined funding change of $577,947,200 in 2003-04 would result in a 2003 shared revenue distribution of $939,162,000, which is $10,000,000 less than the amount authorized in Act 16. The $329,779,200 reduction in 2004-05 reflects the decrease in base year funding to achieve the sunset of three of the four shared revenue components. Of the four shared revenue components, only payments under the utility aid component would continue.

Joint Finance/Legislature: Specify that all of the funding that is available as a grant to the state with the enactment of P.L. 108-27, the Jobs and Growth Tax Relief Reconciliation Act of 2003, would be used for shared revenue payments in 2003. Create a federal appropriation under shared revenue for this purpose and estimate the 2003-04 amount in this appropriation at $182,400,000 FED. Specify that the portion of shared revenue payments paid from this appropriation must be used for the provision of police and fire services. In addition, provide $17,600,000 SEG in 2003-04 from the balances in the utility public benefits fund for 2003 shared revenue payments. Reduce the GPR appropriation for shared revenue by $200,000,000 in 2003-04. Specify that the allocation of GPR, FED, utility public benefits SEG, and transportation fund SEG to 2003 shared revenue payments shall be determined by the Department of Revenue.

[Act 33 Sections: 659, 660, 662m thru 666, 853, 854, 1657, 1657m, 1659, 1660, 1668, 1669, and 9445(1)&(2f)]

3. COUNTY AND MUNICIPAL AID -- FUNDING LEVEL [LFB Papers 670 and 671]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
GPR	$641,336,600	- $483,102,200	$503,102,200	$661,336,600
SEG	190,000,000	- 190,000,000	190,000,000	190,000,000
Total	$831,336,600	- $673,102,200	$693,102,200	$851,336,600

Governor: Create annual appropriations comprised of transportation fund revenues and utility public benefits fund revenues to make county and municipal aid payments in 2004 (2004-05). Create an exception for the transportation fund payments from the current law provision that requires all payments from the transportation fund to be made only on the order of the Secretary of DOT. Authorize DOR to determine the manner in which payments to counties and municipalities shall be comprised of amounts from the existing GPR and newly-created SEG appropriations. Repeal the two SEG appropriations and the transportation fund payments exception on July 1, 2005.

Provide $170,000,000 SEG in revenues from the transportation fund and $20,000,000 SEG in revenues from the utility public benefits fund to supplement GPR funding for county and municipal aid payments in 2004-05. Estimate the GPR sum sufficient appropriation for the county and municipal aid program in 2004-05 at $641,336,600. This amount is based on the 2004 (2004-05) county and municipal aid distribution established in 2001 Wisconsin Act 109 less the following: (a) the $190,000,000 SEG provided under this item; (b) a proposed $70,000,000 reduction in municipal aid for 2004 (2004-05) and thereafter; and (c) a proposed $10,000,000 reduction in county and municipal aid for 2004 (2004-05) and thereafter related to a proposal to provide a corresponding amount through the medical assistance program to local governments that provide emergency transportation services.

Joint Finance/Legislature: Repeal the current law provisions extending state aid payments to municipalities under the county and municipal aid program beginning in 2004 and set the per capita funding reduction for counties under that program at $20,000,000. Remove any remaining references to municipalities, rename the program the county aid program, and estimate 2004-05 funding for the program at $158,234,400 GPR. Reduce 2004-05 funding for the county and municipal aid program by $483,102,200 GPR and $190,000,000 SEG. Modify the two SEG appropriations to pay for the new municipal aid program, which is described under Item #4, "Municipal Aid for 2004 and 2005." Incorporate provisions to adjust county payments for supplements provided under the medical assistance program, as described under Item #1, "Shared Revenue and Related Programs -- Distribution Formulas."

Veto by Governor [A-16]: Delete provisions that would have removed municipalities from the county and municipal aid program, created three new municipal aid programs for 2004 and 2005, and established another new municipal aid distribution beginning in 2006 (see Item #4, "Municipal Aid for 2004 and 2005"). This has the effect of restoring the $20,000,000 reduction to 2004 municipal payments that was created by 2001 Wisconsin Act 109.

The partial veto creates an additional $50,000,000 reduction to municipal aid payments by retaining parts of the text of the four vetoed aid programs. The language created by the partial veto establishes the total municipal distribution beginning in 2004 at $703,102,200. The language refers to this as being from the "aid account," which presumably is intended to refer to the "county and municipal aid account." This would increase spending from the sum sufficient appropriation from that account by $503,102,200 GPR in 2004-05, which equals the reduction in the appropriation the bill had established to fund the three new programs in 2004-05. The remaining $200,000,000 needed for the 2004 distribution will be provided by the appropriations funded with transportation fund revenues ($170,000,000 SEG), utility public benefits fund revenues ($20,000,000 SEG), and transfers from the medical assistance program ($10,000,000 FED). Total municipal aid will be the same under the partial vetoes as under the enrolled bill, but the distribution to individual municipalities will vary. The individual payments and total distribution in 2005 and thereafter will equal the 2004 amounts.

[Act 33 Sections: 663, 664, 665, 666, 853, 854, 1658, 1658d, 1663b, 1669d, 1669g, and 9445(1)]

[Act 33 Vetoed Sections: 286 (as it relates to s. 20.835(1)(dd)), 661m, 662d, 662de, 662e, 663, 665, 1653d, 1653e, 1653f, 1654, 1655, 1656, 1658, 1658d, 1662b, 1662d, 1663b, 1664b, 1666b, 1669d, 1669e, 1669f, 1669g, and 9445(1)(b)&(1m)]

4. MUNICIPAL AID FOR 2004 AND 2005

	Jt. Finance/Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
GPR	$503,102,200	- $503,102,200	$0
SEG	190,000,000	- 190,000,000	0
Total	$693,102,200	- $693,102,200	$0

Joint Finance/Legislature: Create a sum sufficient, GPR appropriation to fund the aid payments in 2004 and 2005 under three newly-created municipal aid programs: (a) municipal aid for basic public services; (b) expenditure restraint supplemental aid; and (c) small municipalities state aid. Specify that the SEG appropriations created under the bill to pay a part of the cost of 2004 county and municipal aid payments would instead be used to pay part of the cost of these aid payments. Estimate 2004-05 funding for the appropriation at $503,102,200 GPR. (This total is $200 million less than the sum of the component aid programs to reflect the $190 million SEG funding and the $10 million offset in higher medical assistance reimbursements for emergency transportation services). Extend the payment schedule authorized under current law for the shared revenue program to the three programs created under this provision. Establish a December 31, 2005, sunset for encumbrances and expenditures related to payments to municipalities from the appropriation for the distributions under these three programs. Incorporate provisions to adjust municipal payments for supplements provided under the medical assistance program, as described under Item #1.

Municipal Aid for Basic Public Services. Create a program called municipal aid for basic public services to be administered by the Department of Revenue. Distribute $567,957,200 in 2004 and 2005 under the program to municipalities that are incorporated and have a 2002 population, as determined by the Department of Administration, of 2,500 or more and to unincorporated municipalities that have a 2002 population, as determined by the Department of Administration, of 5,000 or more. Exclude any municipality from the distribution, regardless of its 2002 population, if the sum of the municipality's actual 2001 per capita public safety cost and the municipality's actual 2001 per capita conservation, development, and library cost is less than $50.

Set each municipality's initial basic aid equal to the greater of the municipality's 2002 population, as determined by the Department of Administration, multiplied by $23 or the municipality's aidable costs multiplied by the municipality's sharing factor.

Calculate each municipality's sharing factor by dividing the municipality's per capita full value by the standard value and subtracting the result from one, but specify that the result cannot be less than zero. Calculate each municipality's per capita full value by dividing the municipality's 2002 equalized value, exclusive of the incremental value in tax increment districts, by the municipality's 2002 population. Calculate the standard value as the per capita value that results in the distribution of the entire funding level.

Calculate each municipality's aidable costs by summing the municipality's adjusted per capita public safety cost and the municipality's adjusted per capita conservation, development, and library cost and multiplying the result both by the municipality's 2002 population and by the municipality's poverty factor.

Set the poverty factor for municipalities with 2002 populations over 50,000 as the amount determined by dividing the percentage of the municipality's population with incomes at or below the poverty level, as determined in the 2000 decennial census, by a percentage equal to 1.3 multiplied by the percentage of the state's population with incomes at or below the poverty rate, as determined in the 2000 decennial census. Limit each municipality's poverty factor to no less than 1.0 and no more than 1.35. Set the poverty factor for municipalities with 2002 populations below 50,000 at 1.0.

Calculate each municipality's adjusted per capita public safety cost as the sum of its primary per capita public safety cost and its secondary per capita public safety cost.

Define each municipality's primary per capita public safety cost as its actual per capita public safety cost, up to one-half of the average per capita public safety cost, multiplied by 1.5. Define each municipality's secondary per capita public safety cost as its actual per capita public safety cost in excess of one-half of the average per capita public safety cost, but no more than the average per capita cost, multiplied by 0.5. Define actual per capita public safety cost for each municipality as its actual expenditures, net of any related revenues, incurred in 2001 for operations and capital outlays related to public safety services, as determined by the Department of Revenue, based on the financial reports required under s. 73.10(2) of the statutes, and recorded in the governmental and proprietary fund types, divided by the municipality's 2002 population. Specify that the actual per capita public safety cost for each municipality cannot be less than $0. Define the average per capita public safety cost as the total net 2001 public safety expenditures for eligible municipalities divided by the total 2002 population for eligible municipalities with reported 2001 public safety expenditures.

Calculate each municipality's adjusted per capita conservation, development, and library cost as the sum of its primary per capita conservation, development, and library cost and its secondary per capita conservation, development, and library cost.

Define each municipality's primary per capita conservation, development, and library cost as its actual per capita conservation, development, and library cost, up to one-half of the average per capita conservation, development, and library cost, multiplied by 1.5. Define each municipality's secondary per capita conservation, development, and library cost as its actual per capita conservation, development, and library cost in excess of one-half of the average per capita conservation, development, and library cost, but no more than the average per capita cost, multiplied by 0.5. Define actual per capita conservation, development, and library cost for each municipality as its actual expenditures, net of any related revenues, incurred in 2001 for operations and capital outlays related to conservation, development, and library services, as determined by the Department of Revenue, based on the financial reports required under s. 73.10(2) of the statutes, and recorded in the governmental and proprietary fund types, divided by the municipality's 2002 population. Specify that the actual per capita conservation, development, and library cost for each municipality cannot be less than $0. Define the average per capita conservation, development, and library cost as the total 2001 net conservation, development, and library expenditures for eligible municipalities divided by the total 2002 population for eligible municipalities with reported 2001 conservation, development, and library expenditures.

Establish a minimum guarantee for payments to each municipality under this distribution equal to 88.5% of the amount the municipality received in 2003 under the shared revenue program, exclusive of utility aid, and the small municipalities shared revenue program. For each municipality with an initial basic aid payment less than the minimum guarantee, provide a minimum payment equal to the difference between the basic aid payment and the minimum guarantee. Fund the payments under the minimum guarantee by limiting the payment each municipality may receive to an amount determined by multiplying the amounts received in 2003 under the shared revenue program, exclusive of utility aid, and the small municipalities shared revenue program by a maximum percentage. Set the maximum percentage as that percentage that reduces initial basic aid payments in total by an amount equal to the total payments under the minimum guarantee (the maximum percentage is estimated to be 93.1%).

Expenditure Restraint Supplemental Aid. Create a program called expenditure restraint supplemental aid to distribute $10,000,000 in 2004 and 2005 to municipalities in the municipal aid for basic public services program. Provide that in order to receive a payment, a municipality must have a 2001 property tax levy rate, as defined under current law for the expenditure restraint program, in excess of eight mills and must have limited the change in its municipal budget, as defined under current law, between 2001 and 2002, to an amount less than the maximum amount allowed under the expenditure restraint program. Calculate the payment for each municipality by doing the following: (a) multiplying the amount of its property tax levy rate in excess of eight mills by its 2001 full value, including value increments;

(b) dividing the result by the sum of the products under (a) for all eligible municipalities; and (c) multiplying the resulting percentage by $10,000,000.

Establish a minimum guarantee for the combined payments to each municipality under this distribution and the municipal aid for basic public services distribution equal to 90.0% of the amount the municipality received in 2003 under the shared revenue program, exclusive of utility aid, and the small municipalities shared revenue program. Specify that this minimum guarantee applies only to municipalities receiving an expenditure restraint supplemental aid payment. For each municipality where the sum of its payment under the municipal aid for basic public services program and its initial allocation under the expenditure restraint supplemental aid program is less than the minimum guarantee, provide a minimum payment equal to the difference between the sum of the aid amounts and the minimum guarantee. Fund the payments under the minimum guarantee by limiting the payment each municipality may receive under this distribution and the municipal aid for basic public services distribution to a percentage of the amounts received in 2003 under the shared revenue program, exclusive of utility aid, and the small municipalities shared revenue program. Set the maximum percentage as that percentage that reduces initial payments by a total amount equal to payments under the minimum guarantee (the maximum percentage is estimated to be 96.6%).

Small Municipalities State Aid. Create a program called the small municipalities state aid program to distribute $125,145,000 in 2004 and 2005 to municipalities that are incorporated and have a 2002 population, as determined by the Department of Administration, of less than 2,500 and to unincorporated municipalities that have a 2002 population, as determined by the Department of Administration, of less than 5,000. Include any municipality in the distribution, regardless of its 2002 population, if the sum of the municipality's actual 2001 per capita public safety cost and the municipality's actual 2001 per capita conservation, development, and library cost, as determined under the municipal aid for basic public services program, is less than $50. Establish each eligible municipality's payment in 2004 and 2005 as an amount equal to the amount of aid the municipality received in 2003 under the shared revenue program, exclusive of utility aid, and the small municipalities shared revenue program multiplied by a uniform percentage. Set the percentage at the amount that results in the distribution of the entire funding level (the percentage is estimated to be 88.4%).

Municipal Aid Study Committee. Create a new, GPR sum sufficient appropriation for aid payments to municipalities and specify that the amount distributed under the appropriation, prior to the deductions for the medical assistance reimbursements, would equal $703,102,200 in 2006 and thereafter. Request that the Joint Committee on Legislative Organization create a committee to study the distribution of state aid to municipalities and to make a recommendation for the distribution of $703,102,200, beginning in 2006. If the Joint Committee on Legislative Organization creates the committee, direct the committee to report its findings, conclusions, and recommendations to the Legislature by December 31, 2004, following the procedures established under current law. Direct the Legislative Fiscal Bureau to staff the work of the committee.

Veto by Governor [A-16 and A-17]: Delete provisions. The Governor's partial veto deletes the creation of the three new municipal aid programs for 2004 and 2005 [A-16], the establishment of another new municipal aid distribution beginning in 2006 [A-16], and the request of the creation of a committee to study the distribution of state aid to municipalities [A-17]. The partial veto also deletes the provisions that would have removed municipalities from the county and municipal aid program. That effect is described under Item #1, "Shared Revenue and Related Aid Programs -- Distribution Formulas" and Item #3, "County and Municipal Aid -- Funding Level."

[Act 33 Vetoed Sections: 662d, 662de, 662e, 663, 665, 1653e, 1653f, 1654, 1655, 1656, 1658, 1669d, 1669e, 1669f, 1669g, 9133(3m), and 9445(1)(b)&(1m)]

5. COUNTY MANDATE RELIEF -- FUNDING LEVEL

GPR	$5,059,700

Governor/Legislature: Increase funding for the county mandate relief program by $13,120,400 in 2003-04 and reduce funding for the program by $8,060,700 in 2004-05 to reflect law changes authorized in the previous legislative session. In 2001 Wisconsin Act 16, the program's funding level was set at $20,971,400 for 2002 (2002-03) and $21,181,100 for 2003 (2003-04) and each year thereafter. The latter amount represents an increase of $209,700 (1%) over the 2002-03 funding level. In 2001 Wisconsin Act 109, $12,910,700 of the program's 2002-03 GPR funding was replaced on a one-time basis with proceeds from tobacco securitization (SEG). Also, Act 109 sunset payments under the county mandate relief program after the 2003 (2003-04) distribution. As a result, the $13,120,400 increase in 2003-04 reflects $209,700 to provide the 1% funding increase authorized in Act 16 and $12,910,700 to replace the use of proceeds from tobacco securitization in 2002-03. The $8,060,700 reduction in 2004-05 reflects the elimination of base year funding to achieve the program's sunset. The program's funding level will equal $21,181,100 in 2003-04 and $0 in 2004-05.

6. SMALL MUNICIPALITIES SHARED REVENUE -- FUNDING LEVEL

GPR	$2,680,500

Governor: Increase funding for the small municipalities shared revenue program by $6,950,800 in 2003-04 and reduce funding for the program by $4,270,300 in 2004-05 to reflect law changes authorized in the previous legislative session. In 2001 Wisconsin Act 16, the program's funding level was set at $11,110,000 for 2002 (2002-03) and $11,221,100 for 2003 (2003-04) and each year thereafter. The latter amount represents an increase of $111,100 (1%) over the 2002-03 funding level. In 2001 Wisconsin Act 109, $6,839,700 of the program's 2002-03 GPR funding was replaced on a one-time basis with proceeds from tobacco securitization (SEG). Also, Act 109 sunset payments under the small municipalities shared revenue program after the 2003 (2003-04) distribution. As a result, the $6,950,800 increase in 2003-04 reflects $111,100 to provide the 1% funding increase authorized in Act 16 and $6,839,700 to replace the use of proceeds from tobacco securitization in 2002-03. The $4,270,300 reduction in 2004-05 reflects the elimination of base year funding to achieve the program's sunset. The program's funding level will equal $11,221,100 in 2003-04 and $0 in 2004-05.

Joint Finance/Legislature: Modify the eligibility criteria for purposes of making payments in 2003 by lowering the minimum required tax rate from one mill to 0.85 mills, if the municipality's adjusted full value is less than $10,000,000. This provision would extend 2003 payments to five additional municipalities: the Villages of Aniwa and Bowler (Shawano County); the Village of Kennan (Price County); the Town of Ross (Forest County); and the Town of Wilson (Rusk County). Payments to the five municipalities are estimated at $100,954 and would be funded by reducing payments to other eligible municipalities by an estimated 0.9%.

[Act 33 Section: 1659d]

7. EXPENDITURE RESTRAINT PROGRAM -- FUNDING LEVEL

GPR	$1,151,400

Governor/Legislature: Increase funding for the expenditure restraint program by $575,700 annually to reflect the increased distribution authorized in 2001 Wisconsin Act 16. In the Act, the program's distribution level was increased from $57,570,000 for 2002 (2002-03) to $58,145,700 for 2003 (2003-04) and for each year thereafter.

8. SHARED REVENUE AND RELATED PROGRAMS SUMMARY

The following table summarizes the funding levels for the preceding programs in the base year and in each year of the 2003-05 biennium.

Fiscal Year Calendar Year	2002-03 2002*	2003-04 2003	2004-05 2004
Current Law			
Shared Revenue	$939,764,400	$949,162,000	$31,435,600
County and Municipal Aid	0	0	911,336,600
County Mandate Relief	20,971,400	21,181,100	0
Small Municipalities Shared Revenue	11,110,000	11,221,100	0
Expenditure Restraint	57,570,000	58,145,700	58,145,700
Current Law Funding Totals	$1,029,415,800	$1,039,709,900	$1,000,917,900
Governor's Proposal			
Shared Revenue	$939,764,400	$939,162,000 **	$31,435,600
County and Municipal Aid	0	0	831,336,600
County Mandate Relief	20,971,400	21,181,100	0
Small Municipalities Shared Revenue	11,110,000	11,221,100	0
Expenditure Restraint	57,570,000	58,145,700	58,145,700
Proposed Funding Totals	$1,029,415,800	$1,029,709,900	$920,917,900
Proposed Reduction	$0	-$10,000,000	-$80,000,000

Fiscal Year	2002-03	2003-04	2004-05
Calendar Year	2002*	2003	2004
Legislature's Proposal			
Shared Revenue	$939,764,400	$939,162,000 ***	$31,435,600
County Aid	0	0	158,234,400
Municipal Aid	0	0	693,102,200 ***
County Mandate Relief	20,971,400	21,181,100	0
Expenditure Restraint	57,570,000	58,145,700	58,145,700
Small Municipalities Shared Revenue	11,110,000	11,221,100	0
Proposed Funding Totals	$1,029,415,800	$1,029,709,900	$940,917,900
Proposed Reduction	$0	-$10,000,000	-$60,000,000
Act 33			
Shared Revenue	$939,764,400	$939,162,000***	$31,435,600
County and Municipal Aid	0	0	851,336,600 ***
County Mandate Relief	20,971,400	21,181,100	0
Small Municipalities Shared Revenue	11,110,000	11,221,100	0
Expenditure Restraint	57,570,000	58,145,700	58,145,700
Funding Totals	$1,029,415,800	$1,029,709,900	$940,917,900
Reduction	$0	-$10,000,000	-$60,000,000

* Base funding in 2002-03 (2002) was comprised of $431,115,800 GPR and $598,300,000 SEG.

** The original bill directs DOR to reduce 2003 payments under the shared revenue, county mandate relief, and small municipalities shared revenue programs by $10 million in total. However, the bill's appropriation schedule applies the entire reduction against the shared revenue appropriation.

*** The enrolled bill and the act require DOR to reduce 2003 and 2004 state aid payments by the amount of any supplemental medical assistance payments received for emergency transportation services. In the appropriations schedules, estimated offsets of $10 million are applied to 2003 shared revenue, and for 2004, estimated offsets are applied to municipal aid under the enrolled bill and to county and municipal aid under the act.

The following table shows the funding levels for the preceding programs by funding source under Act 33.

Fiscal Year	2003-04	2004-05
Calendar Year	2003	2004
Shared Revenue		
GPR	$509,162,000	$31,435,600
FED -- Public Law 108-27	182,400,000	0
SEG -- Transportation Fund	230,000,000	0
SEG -- Utility Public Benefits Account	17,600,000	0
Total Shared Revenue	$939,162,000	$31,435,600
County Mandate Relief -- GPR	$21,181,100	$0
Expenditure Restraint -- GPR	58,145,700	58,145,700
Small Municipalities Shared Revenue -- GPR	11,221,100	0

Fiscal Year Calendar Year	2003-04 2003	2004-05 2004
County and Municipal Aid		
GPR	$0	$661,336,600
SEG -- Transportation Fund	0	170,000,000
SEG -- Utility Public Benefits Fund	0	20,000,000
Total Municipal Aid	$0	$851,336,600
Proposed Funding Totals		
GPR	$599,709,900	$750,917,900
FED	182,400,000	0
SEG	247,600,000	190,000,000
TOTAL	$1,029,709,900	$940,917,900

9. STATE AID FOR EXEMPT COMPUTERS, CASH REGISTERS, AND FAX MACHINES

[LFB Paper 674]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
GPR	- $16,035,000	- $3,565,000	$8,700,000	- $10,900,000

Governor: Decrease funding by $6,420,000 in 2003-04 and $9,615,000 in 2004-05 to reflect projected changes in the value of exempt computers, cash registers, and fax machines and local tax rates. Total aid payments are estimated at $71,980,000 in 2003-04 and $68,785,000 in 2004-05. Payments are made from the sum sufficient appropriation to compensate local governments for the tax base lost due to the property tax exemptions for computers and related equipment and for cash registers and fax machines (except those that are also copiers).

Joint Finance/Legislature: Decrease estimated aid payments by $2,480,000 in 2003-04 and $1,085,000 in 2004-05 to reflect the net effect of estimated increases of $920,000 in 2003-04 and $5,115,000 in 2004-05 under the provisions of SB 44 and estimated decreases of $3,400,000 in 2003-04 and $6,200,000 in 2004-05 due to the proposed levy limit program and changes to the school revenue limit program. Estimated payments would be $69,500,000 in 2003-04 and $67,700,000 in 2004-05.

Veto by Governor [A-3 and A-15]: Increase estimated aid payments by $3,200,000 in 2003-04 and $5,500,000 in 2004-05 due to the Governor's partial veto of the school revenue limit and local government levy limit provisions in the enrolled bill. Estimated payments would be $72,700,000 in 2003-04 and $73,200,000 in 2004-05. See "Public Instruction -- Revenue Limits" for vetoed provisions related to school revenue limits and "Shared Revenue and Tax Relief -- Property Taxation" for vetoed provisions related to the local government levy limits.

10. CONSOLIDATION INCENTIVE PAYMENTS

Governor/Legislature: Repeal the provisions authorizing consolidation incentive payments. The provisions were created by 2001 Wisconsin Act 109, and the first payments under these provisions are scheduled for 2004 (2004-05).

Under the current law program, consolidation incentive payments are to be made to municipalities and counties that agree to consolidate municipal or county services. Prior to September 1 of each year, local governments can apply to the Department of Revenue for payments in the succeeding year by submitting copies of their consolidation agreements and estimates of the savings resulting from the consolidations. Payments are to be limited to the first year in which a consolidation agreement takes effect. Payments will equal 75% of the estimated savings, but total payments cannot exceed $45 million. If eligible applications result in payments in excess of that amount, payments are to be prorated. Consolidation incentive payments are to be funded by reducing each government's "county and municipal aid" payment on a proportional basis.

[Act 33 Sections: 661m, 1654, 1655, 1656, 1662d, 1666b, and 1667]

Property Tax Credits

1. HOMESTEAD TAX CREDIT REESTIMATE [LFB Papers 675 and 680]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
GPR	$13,800,000	- $4,800,000	$5,000,000	$14,000,000

Governor: Provide $8,400,000 in 2003-04 and $5,400,000 in 2004-05 for the sum sufficient appropriation to reflect anticipated costs of the credit in the biennium. The estimated increase in expenditures primarily reflects the growth in the size of the program due to the decline in household income and increase in the number of claimants in recent years. With these adjustments, estimated total funding would be increased from an adjusted base level of $94,600,000 to $103,000,000 in 2003-04 and $100,000,000 in 2004-05. The decline in estimated credits for 2004-05 reflects anticipated growth in household income in that year over 2003-04 compared to the constant formula factors.

Joint Finance/Legislature: Decrease funding by $2,300,000 in 2003-04 and $2,500,000 in 2004-05 to reflect the following: (a) decreased funding of $300,000 in 2003-04 and increased funding of $1,100,000 in 2004-05 to reflect changes in claimant income and the shared revenue and school aid funding levels proposed by the Governor; and (b) decreased funding of $2,000,000 in 2003-04 and $3,600,000 in 2004-05 to reflect the impact on property taxes of the local levy and fiscal controls proposed under the Joint Committee on Finance's substitute amendment. With these adjustments, estimated credits would total $100,700,000 in 2003-04 and $97,500,000 in 2004-05.

Veto by Governor [A-3 and A-15]: Increase funding by $1,800,000 in 2003-04 and $3,200,000 in 2004-05 to reflect the estimated property tax impact related to the Governor's veto of the school revenue limit and local government levy limit provisions in the enrolled bill. Estimated credits would total $102,500,000 in 2003-04 and $100,700,000 in 2004-05. See "Public Instruction -- Revenue Limits" for vetoed provisions related to school revenue limits and "Shared Revenue and Tax Relief -- Property Taxation" for vetoed provisions related to the local government levy limits.

2. FARMLAND PRESERVATION TAX CREDIT REESTIMATE [LFB Papers 675, 680, and 686]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Veto (Chg. to Leg)	Net Change
GPR	- $2,600,000	- $23,300,000	$24,600,000	- $1,300,000

Governor: Decrease funding by $1,500,000 in 2003-04 and $1,100,000 in 2004-05 for the sum sufficient appropriation to reflect anticipated costs of the credit in the biennium. The decline in estimated credits primarily reflects the expected decline in property taxes on farmland under the use value assessment process. With these adjustments, estimated total funding would be decreased from an adjusted base level of $15,000,000 to $13,500,000 in 2003-04 and $13,900,000 in 2004-05.

Joint Finance/Legislature: Decrease funding by $11,400,000 in 2003-04 and $11,900,000 in 2004-05 to reflect the following: (a) increased funding of $600,000 in 2003-04 and $1,000,000 in 2004-05 to reflect changes in claimant income and the shared revenue and school aid funding levels proposed by the Governor; (b) decreased funding of $900,000 in 2003-04 and $1,300,000 in 2004-05 to reflect the impact on property taxes of the local levy and fiscal controls proposed under the Joint Committee on Finance's substitute amendment; and (c) decreased funding of $11,100,000 in 2003-04 and $11,600,000 in 2004-05 to reflect the sunset of farmland preservation tax credit claims for those receiving the credit under a local agricultural zoning ordinance. With these adjustments, estimated credits would total $2,100,000 in 2003-04 and $2,000,000 in 2004-05.

Sunset the farmland preservation tax credit claims for those receiving the credit under a local agricultural zoning ordinance effective with claims related to taxes payable after the 2002 tax year. On the effective date of the bill, sunset DATCP's authority to place additional liens on property for the amount of tax credits paid on property that is rezoned or no longer subject to an agreement. Allow landowners who have entered into farmland preservation agreements with DATCP to continue to receive the tax credits as long as their current agreements remain in effect. Specify that DATCP could not enter into any new farmland preservation agreements after the effective date of the bill.

Veto by Governor [A-3, A-15, and B-1]: Delete the provisions related to the sunset of the credit for claimants receiving a credit under exclusive agricultural zoning and the penalty provisions related to all claimants. Increase the estimated cost of the credits by $11,100,000 in 2003-04 and $11,600,000 in 2004-05 to reflect the veto of these provisions.

In addition, increase the estimated cost of the credit by $800,000 in 2003-04 and $1,100,000 in 2004-05 to reflect the estimated impact on property taxes related to the Governor's veto of the school revenue limit and local government levy limit provisions in the enrolled bill. Estimated credits would total $14,000,000 in 2003-04 and $14,700,000 in 2004-05. See "Public Instruction -- Revenue Limits" for vetoed provisions related to school revenue limits and "Shared Revenue and Tax Relief -- Property Taxation" for vetoed provisions related to the local government levy limits.

[Act 33 Vetoed Sections: 1583p, 1731ec, 1731eg, 1731ek, 1731em, 1731g, 1731gm, 1731j, 1731L, and 1731n]

3. LOTTERY AND GAMING CREDIT [LFB Paper 661]

	Governor (Chg. to Base)	Jt. Finance/Leg. (Chg. to Gov)	Net Change
SEG	$5,485,200	$8,072,000	$13,557,200

Governor: Increase funding by $3,192,600 in 2003-04 and $2,292,600 in 2004-05 for the sum sufficient appropriation to reflect reestimates of lottery and gaming proceeds available for distribution. As a result, tax credit distributions are estimated at $101,900,000 in 2003-04 and $101,000,000 in 2004-05. However, the lottery and gaming revenues identified under the bill would support credits of only $101,730,900 in 2003-04 and $100,812,900 in 2004-05.

Joint Finance/Legislature: Increase funding by $7,762,200 in 2003-04 and $309,800 in 2004-05 for the sum sufficient appropriation to reflect an increase in the estimated opening balance of the lottery fund and other actions by the Committee. Estimate distributions under the lottery and gaming credit of $109,662,200 in 2003-04 and $101,309,800 in 2004-05.

4. LOTTERY AND GAMING CREDIT CERTIFICATION [LFB Paper 681]

Joint Finance/Legislature: Repeal the statutory provisions authorizing the lottery and gaming credit certification reimbursement payment and the related aid appropriation. Delete the current law provision that limits the validity of lottery and gaming credit claims to five years and, instead, provide that claims are valid as long as the property is eligible for the credit. Require counties and cities that administer the credit to implement a procedure to periodically verify the eligibility of properties receiving the credit. Require those local governments to file a report with the Department of Revenue beginning in 2004, and in every fifth year thereafter. Specify that the report include a description of each local government's verification procedures and an evaluation of the procedures' efficacy. Direct the Department of Revenue to prescribe the format for the local government reports and require the Department to submit a report to the Joint Committee on Finance, by January 31, 2005, and every five years thereafter, that summarizes the local procedures. Direct DOR to include a recommendation in its report regarding whether the certification process should continue unchanged or be modified to achieve increased compliance with the Wisconsin Constitution.

Veto by Governor [A-22]: Delete the requirement that the Department of Revenue submit reports to the Joint Committee on Finance.

[Act 33 Sections: 668m, 863m, 1670b thru 1670f, and 9345(1q)]

[Act 33 Vetoed Section: 1670dt]

Property Taxation

1. ASSESSMENT OF MANUFACTURING PROPERTY [LFB Paper 685]

Governor: Transfer the responsibility for assessing manufacturing property from the Department of Revenue to taxation districts (municipalities) and counties, if the county has adopted a county assessor system, effective with property assessed as of January 1, 2004. Replace references to DOR with references to taxation districts or taxation district assessors with regard to current law provisions concerning: (a) the assessment of property as of January 1 of each year; (b) the calculation of manufacturing property values, including the value of exempt computers, cash registers, and fax machines; (c) notifying taxpayers of their assessed values; (d) extensions for filing manufacturing property report forms; and (e) penalties for filing manufacturing property report forms late. Remove references to "state" and "department of revenue" in current law provisions regarding: (a) the assessment of manufacturing property; (b) penalties for making false statements; (c) the assessment of omitted property; and (d) tax bill increases for properties with values that were unreported or underreported.

Repeal current law provisions regarding: (a) DOR notice to taxation district and county assessors of properties to be assessed by the Department; (b) DOR performance of field investigations or on-site appraisals of every manufacturing property at least once every five years; (c) municipal appeals of manufacturing assessed values; (d) interest payments on taxes that were determined to be underpaid as the result of a municipal appeal; and (e) the meaning of the terms "local assessor" or "assessor" as they relate to DOR for purposes of manufacturing property assessment.

Modify the current law provision directing manufacturing property owners to file standard manufacturing property report forms prescribed by DOR by requiring the form to be filed with the taxation district rather than with DOR. Replace the current law provision granting DOR discretion in determining which properties, including those that are vacant, are subject to state assessment with provisions that direct DOR to establish standards and procedures for assessing manufacturing property and to publish those standards and procedures in the property tax assessment manual, which is required under current law for other property classes. Modify the current law provision directing DOR to develop a manufacturing assessment roll for each municipality by requiring taxation district assessors to notify DOR of all manufacturing properties and their values, so that the Department can develop the manufacturing assessment roll. Replace current law references to municipalities and counties that have adopted a county assessor system with references to taxation districts to achieve technical accuracy and reflect that assessments will be determined by taxation district assessors. Modify the current law provision regarding the state ad valorem tax on telephone companies to clarify that the property assessment methods employed by DOR are the same used by local assessors to assess manufacturing property.

See Item #3 under "Department of Revenue" for the fiscal effect and position deletions related to this provision.

Joint Finance/Legislature: Delete the Governor's recommendation and retain the responsibility for assessing manufacturing property with DOR. Provide DOR with $1,076,300 GPR and 13.5 GPR positions and $1,076,300 PR and 13.5 PR positions annually in the Bureau of Manufacturing and Telco Assessment for the assessment of manufacturing property. Create a separate program revenue appropriation to fund the PR manufacturing assessment positions and related costs. Authorize DOR to annually impose a fee on each municipality containing manufacturing property to fund the PR manufacturing assessment positions. Set the fee for each municipality at an amount equal to the municipality's equalized value of manufacturing property multiplied by a rate determined by DOR, which varies from year to year and generates sufficient revenues to offset 50% of the Department's budgeted costs for the manufacturing assessment function. Specify that each municipality shall collect the amount of the fee as a special charge against the taxable property located in the municipality, but provide that the special charge cannot be applied disproportionately to the owners of manufacturing property relative to the owners of other property.

See Item #3 under "Department of Revenue" for the fiscal effect and position changes related to this provision.

[Act 33 Sections: 647m, 1580cd, and 1620]

2. LEVY LIMIT [LFB Paper 675]

Joint Finance: Prohibit any city, village, town, county, or technical college district from increasing its total levy in 2003 (payable in 2004), 2004 (payable in 2005), and 2005 (payable in 2006) by more than the following percentages: (a) for cities, villages, towns, and counties, the percentage increase in the January 1 equalized value for the year of the levy that is due to new construction, net of improvements removed, but not less than 0%; and (b) for technical college districts, 2.6%.

Specify that the levy limit shall be adjusted, as determined by the Department of Revenue, as follows: (a) if a municipality, county, or technical college district transfers to another governmental unit responsibility for providing any service that it provided in the preceding year, the levy increase limit otherwise applicable to the municipality, county, or technical college district is decreased to reflect the cost that the municipality, county, or technical college district would have incurred to provide the service; (b) if a municipality, county, or technical college district increases the services that it provides by adding responsibility for providing a service transferred to it from another governmental unit, the levy increase limit otherwise applicable to the municipality, county, or technical college district is increased to reflect the cost of providing that service; (c) if a city or village annexes property from a town, the annexing municipality's levy increase limit is increased by the town levy on the annexed property in the preceding year and the levy increase limit for the town from which the property was annexed is decreased by the same amount; and (d) if the debt service levy for a municipality, county, or technical college district in the preceding year is less than the debt service levy needed in the current year for any debt approved prior to the effective date of the biennial budget act, the levy increase limit otherwise applicable is increased by the difference between these two amounts.

Create a procedure under which a municipality, county, or technical college district may exceed its levy increase limit if the local government's governing body adopts a resolution to that effect and the electors of the municipality, county, or technical college district approve the resolution in a referendum. Specify that a town with a population below 2,000 may exceed its levy increase limit if the annual town meeting adopts a resolution to that effect. Specify that a referendum to exceed the levy increase limit for the 2004 levy (payable in 2005) must be held at the same time as the spring primary or election or the September primary or November general election. Sunset these provisions, effective July 1, 2006.

Senate: Make the following modifications to the Joint Finance provisions. Provide that the limit does not apply to the amount that a county levies for a county children with disabilities education board. Replace the provisions that sunset the limit after June 30, 2006, with provisions that sunset the limit beginning three years after the effective date of the biennial budget act. Modify the debt service adjustment by changing the date by which debt must be approved from the effective date of the biennial budget act to July 1, 2003. Provide an additional adjustment relative to the determination of levy increase limits pertaining to certain annexed territories. Extend the adjustment to any city or village that has been providing services for a fee to a town for at least ten years and the city or village annexes territory from the town. Set the adjustment as the amount equal to the city's or village's mill rate multiplied by the current assessed value of the annexed territory. Provide that the levy increase limit of the town from which the territory was annexed be reduced by an amount equal to the town's tax rate multiplied by the assessed value of the annexed territory, both for the year the territory was last subject to taxation by the town.

Assembly/Legislature: Remove the Senate provision creating an additional adjustment relative to the determination of levy increase limits pertaining to certain annexed territories.

Veto by Governor [A-15]: Delete provision.

[Act 33 Vetoed Sections: 943m and 1532m]

Enrolled SB 206: Make the following modifications to the levy limit provisions adopted by the Legislature in SB 44:

a. Levy Limit Adjustment for Certain Cities and Villages. Extend an adjustment to any city or village that has been providing services for a fee to property located in a town for at least ten years and the city or village annexes territory from the town. Set the adjustment as the amount equal to the city's or village's mill rate multiplied by the current assessed value of the annexed territory. Provide that the levy increase limit of the town from which the territory was annexed be reduced by an amount equal to the town's tax rate multiplied by the assessed value of the annexed territory, both for the year the territory was last subject to taxation by the town.

b. Levy Limit Exclusion for Certain School Levies. Specify that the levy limits would not apply to the amount that a first class city levies for school purposes. This would exempt the amount that the City of Milwaukee levies for the Milwaukee Public Schools from the control on the City's levy increase.

c. Modification to Small Town Exception. Specify that a town with a population of less than 2,000 may exceed the levy limit if a special town meeting adopts a resolution to that effect. This would be in addition to the SB 44 provision allowing an excess levy for such towns through the adoption of a resolution at the annual town meeting. The annual town meeting must be held on the second Tuesday in April, or within 10 days after that date if set by the previous annual town meeting. A special town meeting may be called by an annual town meeting or by the town board or may be initiated at the request of electors equaling 10% of the votes cast in the town in the last gubernatorial election.

d. Miscellaneous Provisions. Provide that the preceding provisions are void if the Governor item-vetoes the levy limit proposal for municipalities and counties and that the effective date of the preceding provisions is the later of July 1, 2003, or the effective date of the biennial budget act.

Veto by Governor: On July 24, 2003, the Governor vetoed SB 206 in its entirety.

[Enrolled SB 206 Vetoed Sections: 1 thru 5]

3. USE VALUE ASSESSMENT OF AGRICULTURAL LAND [LFB Paper 686]

Joint Finance/Legislature: Specify that any modifications to the use value formula be approved through the administrative rule process before they take effect. Since 2000, agricultural land has been valued solely on the basis of its use in farming under use value assessment provisions. While local assessors are responsible for classifying and valuing agricultural land, the Department of Revenue has a number of administrative duties related to use value assessment, including the adoption of administrative rules and the publication of per acre values, which local assessors use as guidelines in assessing agricultural land. The current administrative rules and valuation procedures would result in negative agricultural per acre values for 2004. In response, the Department intends to modify the valuation procedures used in calculating per acre values. This provision would require these modifications to be approved through the administrative rule process.

Veto by Governor [A-20]: Delete provision.

[Act 33 Vetoed Section: 1536m]

4. ASSESSMENT OF PROPERTY CLASSIFIED AS SWAMP OR WASTE OR PRODUCTIVE FOREST LAND

SEG-REV	- $384,000

Joint Finance: Change the name of the "swamp or waste" classification of real property to "undeveloped land" for purposes of property taxation. Create a new classification of property called "agricultural forest land," defined to include land that is producing or is capable of producing commercial forest products and is included on a parcel where part of the parcel is classified as agricultural or is contiguous to a parcel where part of the parcel is classified as agricultural, if the contiguous parcel is owned by the same person. Define contiguous to include a parcel that is separated only by a road from a parcel containing agricultural land, so long as both parcels are owned by the same person. Provide for the assessment of property classified as undeveloped land and agricultural forest land at 50% of the full value for which the property could be sold. Extend similar treatment to the Department of Revenue's determination of equalized values. Change cross-references in other sections of the statutes pertaining to requirements regarding the assessment level of major classes of property, penalties on agricultural land converted to other uses, and decennial adjustments to the per acre tax under the forest crop land program to reflect undeveloped land, rather than swamp or waste, and to include property classified as agricultural forest land. Modify the current law requirement relating to assessing each major class of property at no less than 90% of its full value by specifying that undeveloped land, agricultural forest land, productive forest land, and other property be considered separate classes of property, rather than as a single class of property, as provided under current law. Modify current law provisions related to trespassing on land by changing the term "undeveloped land" to "open land." Extend these provisions to property assessed as of January 1, 2004. Reduce estimated state forestry taxes by $384,000 in 2004-05 to reflect the estimated loss of $1,918.4 million in property tax base. Under this change, the statewide average property tax rate would increase by an estimated $0.13 per $1,000 of value, which would cause the taxes on a median-valued home in the state that is taxed at the statewide average property tax rate to increase by an estimated $15, which is a 0.6% increase.

Senate/Legislature: Modify the definition of agricultural forest land to clarify that the classification is extended to properties that are contiguous to a parcel that has been classified in whole or in part as agricultural land. Under Joint Finance, the provision extends the classification to properties that are contiguous to a parcel that has been classified in part as agricultural land.

Veto by Governor [A-18 and A-19]: The Governor's partial veto [A-18] limits the agricultural forest land classification, and therefore the 50% of full value assessment, to only productive forest land that is contiguous with wholly agricultural parcels owned by the same property owner. Productive forest land that is within a parcel that is in part classified as agricultural land, and such land that is contiguous with parcels that are only in part agricultural land, would not be classified as agricultural forest land under the partial veto. With regard to the provision that would amend the current law requirement relating to assessing each major class of property at no less than 90% of its full value, the Governor's partial veto [A-19] deletes the modification specifying that undeveloped land, agricultural forest land, productive forest land, and other property be considered separate classes of property. As a result, the assessments of the four classes of property will be considered in aggregate in determining whether their valuation is subject to the 90% assessment standard. To be considered a "major class of property" and therefore subject to the 90% standard, a class of property must represent more than 5% of a taxation district's full value.

[Act 33 Sections: 1536b, 1536d thru 1536i, 1536p, 1545d, 1545e, 1620, 1628d, 1628e, 1632d, 1632e, 1646d, 2737d, 2737e, 2737f, 9345(2d), and 9460(2b)]

[Act 33 Vetoed Sections: 1536b and 1536h]

5. SALE OF TAX CERTIFICATES ON TAX-DELINQUENT REAL PROPERTY

Joint Finance: Authorize counties to sell, assign, or otherwise transfer tax certificates on tax-delinquent real properties. Provide that upon redemption of a tax certificate that is no longer held by the county, the county treasurer shall submit the redemption proceeds to the person to whom the certificate was sold, assigned, or otherwise transferred. Repeal the current law prohibition against the sale, assignment, or transfer of tax certificates. Modify the current law provision that requires the county to retain tax certificates to also require the county to retain a copy of any tax certificate that is sold, assigned, or otherwise transferred.

Senate/Legislature: Replace the Joint Finance provisions with a provision authorizing counties to sell to any person all or a portion of the county's right to receive tax certificate revenues. Require the county to treat any revenues from the sale under current law procedures, as if the revenues were funds paid to redeem land subject to a tax certificate. Authorize counties to enter into agreements for the sale of the county's right to receive tax certificate revenues. Specify that the agreement may include provisions that the county considers necessary and may permit any person who purchases all or any portion of a county's right to receive tax certificate revenue to sell, assign, or otherwise transfer the right, in whole or in part, to another person. Define tax certificate revenues to mean, with respect to a parcel of real property included in a tax certificate, payments of real property taxes, special charges, special taxes, and special assessments indicated on a tax certificate, including interest and penalties on such amounts. Define county to include a city that is authorized in its charter to sell land for nonpayment of taxes (Milwaukee).

[Act 33 Sections: 1632ma and 1632mb]

6. COUNTY AND MUNICIPAL FEES FOR SERVICES

Senate/Legislature: Require that any fee imposed by a city, village, town, or county bear a reasonable relationship to the service for which the fee is imposed. Require any municipality or county that is first imposing a fee or increasing a fee after the effective date of the biennial budget act to issue written findings that demonstrate that the fee bears a reasonable relationship to the service for which the fee is imposed.

Veto by Governor [A-21]: Delete provision.

[Act 33 Vetoed Section: 1532p]

Other Credits

Descriptions of the budget provisions related to the earned income tax credit, cigarette tax refunds, and the development zones tax credits are provided under "General Fund Taxes."